

OLL 83-2306  
21 September 1983

## MEMORANDUM FOR THE RECORD

SUBJECT: Federal Employee Health Benefits Program

1. The Staff of the Subcommittee on Civil Service, Post Office, and General Services, Senate Committee on Governmental Affairs, advises that the Subcommittee will hold hearings this fall on Federal employee health benefits issues. On request, they provided the attached draft Bill to be entitled the "Federal Employees' Health Insurance Amendments of 1983." This draft Bill and the accompanying section-by-section analysis has been rewritten twice and, per the staff, will probably undergo one more rewrite before it is introduced by Senator Ted Stevens (R., AL), the Subcommittee Chairman, circa mid-October 1983.

2. The Subcommittee staff advises that the hearings will cover not only the Senator Stevens' Bill but also S. 1685 introduced by Senator Dave Durenberger (R., MN), also a member of the Stevens' Subcommittee. An agenda and witness list will not be available for 45 days or so. I will have discussed this subject in more detail with Senator Stevens' staff by then and will report further when appropriate.

STAT

Liaison Division  
Office of Legislative Liaison

Attachments  
As stated

## Distribution:

Original - OLL Record w/atts  
1 - OLL Chrono w/o atts  
1 - DDA w/atts  
1 - D/OLL w/o atts  
1 - DD/OLL w/o atts  
1 - C/LD/OLL w/atts  
✓ 1 - C/LEG/OLL w/atts  
1 - C/SL/OLL w/o atts  
1 - C/HL/OLL w/o atts  
1 - DD/Pers w/o atts  
1 - DD/Pers/SP w/atts  
1 - OGC/ALD [ ] w/atts  
1 - [ ] Subject w/atts  
1 - [ ] Chrono w/o atts

STAT

STAT

LD/OLL [ ] (22 September 1983)

STAT

SUMMARY OF THE FEDERAL EMPLOYEES'  
HEALTH INSURANCE AMENDMENTS OF 1983

Section 101 simply adds a couple of new definitions to the definitions in the current law.

Section 102 establishes a new health benefits program for annuitants. One carrier will offer two options for a three-year period to annuitants. The first option will be basically a high option plan, and the second option will be a Medicare wraparound. The benefits are legislated. Basically, the level of benefits will be equal to the Blue Cross/Blue Shield high option provided in 1983. In addition, care provided in psychiatric hospitals and skilled nursing facilities will be covered as well as alcoholic and drug rehabilitation programs. Plus, provision of dental care is included. There will be \$150 deductible for the annuitant plans. There will be 80/20% coinsurance ratio for all in-hospital services and 90/10% ratio for those outside of the hospital--except in emergencies where no coinsurance will be applied.

The Medicare wraparound will consist of a plan whose benefits, when combined with the Medicare provisions, will equal benefits provided for under the high option. All Medicare co-insurance and deductibles will be paid for by the wraparound subject to the wraparound's deductible and coinsurance.

Spouses and dependents who are Medicare eligible will be covered by the wraparound despite the Medicare eligibility of the annuitant. Those who are not Medicare eligible will be entitled to be covered by the high option plan.

Summary of Federal Employees'  
Health Insurance Amendments of 1983  
Page Two

There will be a \$1,500 catastrophic limit for individuals and \$2,500 for family.

The government will be required to bid for the insurance carrier who can provide the benefits at the lowest premiums. The government will contribute 80% toward the premium for the high option and 70% toward the premium for the wraparound.

Annuitants may also join health maintenance organizations.

Section 103 authorizes either the service benefit plan, the indemnity benefit plan, or any employee organization plan the ability to offer the annuitant option. In addition, it establishes the authority to solicit bids and contract for the annuitant option.

Section 201(a) requires that an employee organization plan be reinsured either by other companies in a pool arrangement or be unwritten by another insurance carrier. This requirement will not take effect until three years after the date of enactment of the legislation. Subsection(b) requires that any contract entered into must contain a statement explaining any changes in benefits, maximums and limitations and exclusions in the program. Subsection(c) authorizes OPM to contract with a health maintenance organization that is either federally qualified under the HMO Act or meets the requirements of federal qualification as determined by OPM. Subsection(d) requires that all plans carry reasonable deductibles and coinsurance. Plans may reduce the deductibles and coinsurance for innovative benefits and may waive them for arrangements made with providers

Summary of Federal Employees'  
Health Insurance Amendments of 1983  
Page Three

where the cost of services is equal to or less than the costs explicitly established for similar services in the Medicare Act. Subsection(d) also prohibits any plan from offering more than two options but does not prohibit an underwriter from underwriting more than one carrier who happens to offer two options. Finally, the subsection prohibits OPM from requiring that any carrier offer more than one option.

Section 202 amends the list of benefits that are optionally provided by the various carriers in Section 8904, Title V. Instead of the option to provide these benefits, the carriers are required to offer them. In addition, it also requires that the carriers offer mental health care. The section also applies a catastrophic protection limit on all of the health carriers for active employees. Catastrophic protection would assure that any out-of-pocket expenses by the employee for health care covered under the health plan could not exceed \$3,000 per person or \$6,000 for a family. These figures are intended only as maximums. In other words, any carrier can offer catastrophic protection that is less than the amounts provided under law. In addition, the catastrophic amounts are indexed yearly by the Consumer Price Index.

Section 203 alters the contribution formula by the government. Instead of the government's contribution being based upon the average of the big six premiums, the government's contribution will now be 70% of the weighted average of all the premiums. The weighted average will depend upon the number of enrollees in

Summary of the Federal Employees'  
Health Insurance Amendments of 1983  
Page Four

each carrier's plan. In other words, those plans which have more enrollees will be given greater weight in determining the government's contribution. The government is prohibited from contributing more than 100% to a carrier's premium.

Section 204 establishes a cost containment program for the health carriers. The bill specifies various features that each carrier must comply with. They include other party liability, claims adjudication, innovative benefits, utilization review, fraud and abuse, management strategies and data base, health education, and preferred provider arrangements. Each carrier will be required to pay into the health trust fund 2% of its total premium. OPM shall audit each carrier's cost containment program to determine its effectiveness and then give them a rating for each part and then an overall summary rating of excellent, satisfactory, or poor. Depending upon the rating will be the award of money aggregated from the 2% surcharge. Those rating excellent and satisfactory will receive some award; obviously those receiving an excellent rating will receive a greater award. Those receiving poor ratings for two consecutive years will be terminated from the program subject to a hearing on the record and appealable to the Court of Appeals under the Administrative Procedures Act. Finally, the Office of Personnel Management shall report to Congress every year on the progress of the cost containment program.

Summary of the Federal Employees'  
Health Insurance Amendments of 1983  
Page Five

Section 205 requires that prior to any change in benefits or premiums in the health plan, OPM must organize an open season. This would not preclude the Office from reducing the frequency of open seasons, as they can do in current law, but would require that any change in benefits or premiums be made available to employees prior to the employees' participation in that particular health plan. The section also requires that OPM make available to every employee and annuitant fifteen (15) days prior to an open season summaries of all of the health plans available to those employees.

Section 206 establishes a three-year experimental program for the Office of Personnel Management. OPM is required to carry out this program in three large areas in the United States where a substantial number of federal employees are located. OPM shall negotiate agreements with providers of health care to provide discount services for the employees of the government. Where OPM makes these agreements, the carriers may waive deductibles and coinsurance if their subscribers go to those providers.

Section 301 is simply technical amendments.

Section 302 makes the effective date the date of enactment except for the reinsurance requirement, which takes effect three years after the date of enactment.

079810.249

98th CONGRESS  
1st Session

S. \_\_\_\_\_

-----  
IN THE SENATE OF THE UNITED STATES  
-----Mr. Stevens introduced the following bill; which was read twice  
and referred to the Committee on ----------  
A BILLTo amend chapter 89 of title 5, United States Code, to reform the  
Federal employees' health benefits program.

1     Be it enacted by the Senate and House of Representatives  
 2     of the United States of America in Congress assembled, That  
 3     this Act may be cited as the "Federal Employees' Health  
 4     Insurance Amendments of 1983".

## REFERENCES

5  
 6     Sec. 2. Except as otherwise specifically provided,  
 7     wherever in this Act a reference is expressed in terms of a  
 8     section or other provision, the reference shall be considered  
 9     to be made to a section or other provision, respectively, of  
 10    title 5, United States Code.

## TITLE I--MEDICARE SUPPLEMENTAL PLANS

## DEFINITIONS

11     Sec. 101. Section 8901 is amended--  
 12  
 13     (1) by striking out "and" at the end of clause (8);  
 14     (2) by striking out the period at the end of clause  
 15     (9) and inserting in lieu thereof a semicolon; and  
 16     (3) by adding at the end thereof the following new  
 17     paragraphs:  
 18     "(10) 'Office' means the Office of Personnel  
 19     Management; and  
 20     "(11) 'medicare eligible individual' means any  
 21

079810.249

2

1 individual who--

2 "(A) has attained age 65; and

3 "(B) is eligible for benefits under part A of  
4 title XVIII of the Social Security Act."

5 HEALTH BENEFITS PLANS FOR ANNUITANTS

6 Sec. 102. (a) Section 8903 is amended--

7 (1) by inserting "(a)" before "The" in the first  
8 sentence; and

9 (2) by adding at the end thereof the following new  
10 subsection:

11 "(b) (1) The Office shall contract with one qualified  
12 carrier for a health benefits plan for annuitants which  
13 offers--

14 "(A) for annuitants and other individuals who are  
15 covered by an enrollment in such plan and are not  
16 medicare eligible individuals--

17 "(1) benefits which are of the types referred to  
18 in section 8904 (5) of this title and are at least  
19 actuarially equivalent to the benefits offered as of  
20 January 1, 1983, in the higher level of benefits of  
21 the plan described in section 8903 (a) (1) of this  
22 title; and

23 "(ii) the additional benefits which are of the  
24 type referred to in section 8904 (5) of this title  
25 and were not included as benefits offered as of  
26 January 1, 1983, in the higher level of benefits of  
27 the plan described in section 8903 (a) (1) of this  
28 title; and

29 "(B) for annuitants and other individuals who are  
30 covered by an enrollment in such plan and are medicare  
31 eligible individuals, health benefits--

32 "(1) for which payment may not be made under  
33 title XVIII of the Social Security Act or for which  
34 payment may be made under title XVIII of the Social



079810.249

3

1 Security Act but which are not payable under such  
2 title by reason of deductibles, coinsurance amounts,  
3 or other limitations imposed pursuant to such title;  
4 and

5 "(11) which, when combined with the health  
6 services and items provided or paid for under title  
7 XVIII of the Social Security Act, result in a  
8 combined health benefits package for such individual  
9 which is equivalent to or greater than the health  
10 benefits required to be provided under clause (A) of  
11 this paragraph to individuals who are not medicare  
12 eligible individuals.

13 "(2) The plan to which paragraph (1) of this subsection  
14 applies shall require each annuitant enrolled in the plan to  
15 pay--

16 "(A) the first \$150 otherwise payable with respect  
17 to the annuitant by the carrier under the plan during any  
18 year but for this paragraph;

19 "(B) in the case of inpatient services furnished  
20 with respect to the annuitant other than in an emergency,  
21 coinsurance in an amount equal to twenty percent of the  
22 amount otherwise payable with respect to the annuitant by  
23 the carrier under the plan during any year but for this  
24 paragraph; and

25 "(C) in the case of outpatient care furnished with  
26 respect to the annuitant other than in an emergency,  
27 coinsurance in an amount equal to ten percent of the  
28 amount otherwise payable with respect to the annuitant by  
29 the carrier under the plan during any year but for this  
30 paragraph."

31 (b) Section 8904 is amended by inserting after paragraph  
32 (4) the following new paragraph:

33 "(5) Annuitant Benefits Plan.--

34 "(A) Benefits of the types specified in

079810.249

4

1 paragraphs (1) and (2) of this subsection or both.

2 "(B) Psychiatric hospital care.

3 "(C) Skilled nursing facilities care.

4 "(D) Alcohol and drug rehabilitation.

5 "(E) Dental care."

6 (c) Section 8905 is amended--

7 (1) by striking out subsection (a) and inserting in  
8 lieu thereof the following:

9 "(a) An employee may enroll only in an approved health  
10 benefits plan described by section 8903 (a). The enrollment  
11 in such plan may be either as an individual or for self and  
12 family.";

13 (2) in subsection (b), by striking out the period at  
14 the end thereof and inserting in lieu thereof a comma and  
15 "subject to subsection (f) of this section.";

16 (3) in subsection (e), by inserting a comma and  
17 "subject to subsection (f) of this section" after  
18 "Office"; and

19 (4) by adding at the end thereof the following new  
20 subsection:

21 "(f) An annuitant may be enrolled under this chapter  
22 only in a health benefits plan described in subsection (a)  
23 (4) or (b) of section 8903 of this title."

24 (d) Section 8908 (b) is amended by inserting "subject to  
25 section 8905 (f) of this title and" after "may,".

26 CONTRACTING AUTHORITY AND REQUIREMENTS FOR MERGER AND  
27 DISCONTINUANCE OF MEDICARE SUPPLEMENTAL PLANS

28 Sec. 103. (a) Section 8902 is amended by adding at the  
29 end thereof the following new subsection:

30 "(n) The Office shall solicit from qualified carriers  
31 bids to furnish the annuitants benefits plan provided under  
32 section 8903 (b) of this title. The Office shall enter into a  
33 contract with the qualified carrier which submits the bid  
34 which is most advantageous to the Government considering

079010.249

5

1 price and such other factors as the Office publicized in the  
2 solicitation.".

3 (b) Section 8902 is amended--

4 (1) in subsection (b), by striking out "section 8903  
5 (2) of this title" and inserting in lieu thereof  
6 "subsection (a) (2) of section 8903 of this title or a  
7 plan described in subsection (b) of such section which is  
8 of a type described in subsection (a) (2) of such  
9 section";

10 (2) in subsection (c) by striking out "section 8903  
11 (1) or (2) of this title" in paragraph (1) and inserting  
12 in lieu thereof "subsection (a) (1) or (a) (2) of  
13 section 8903 of this title or a plan described in  
14 subsection (b) of such section which is of a type  
15 described in subsection (a) (1) or (a) (2) of such  
16 section"; and

17 (3) in the first sentence of subsection (1) by  
18 striking out "section 8903 (4)" and inserting in lieu  
19 thereof "section 8903 (a) (4)".

20 (c) Section 8909 is amended--

21 (1) in the first sentence of subsection (d), by  
22 striking out "section 8903 (3) of this title" and  
23 inserting in lieu thereof "subsection (a) (3) of section  
24 8903 of this title, or subsection (b) of such section in  
25 the case of a plan described in such subsection which is  
26 of a type described in subsection (a) (3) of such  
27 section,"; and

28 (2) in subsection (e), by striking out "section 8903  
29 (3) or (4) of this title" and inserting in lieu thereof  
30 "subsection (a) (3) or (a) (4) of section 8903 of this  
31 title or a plan described in subsection (b) of such  
32 section which is of a type described in subsection (a)  
33 (3) of such section".

079810.249

6

1 TITLE II--ADDITIONAL REQUIREMENTS FOR FEDERAL EMPLOYEES  
2 HEALTH BENEFITS PROGRAM  
3 CONTRACTING AUTHORITY

4 Sec. 201. (a) Subsection (c) of section 8902 is amended--

5 (1) by inserting "(1)" after "(c)";

6 (2) by redesignating clauses (1) and (2) as clauses  
7 (A) and (B), respectively; and

8 (3) by adding at the end thereof the following new  
9 paragraph:

10 "(2) A contract for a plan described by subsection (a)  
11 (3) of section 8903 of this title shall require that the  
12 carrier--

13 "(A) satisfy the requirements of paragraph (1) (A)  
14 of this subsection; or

15 "(B) be underwritten by a company that is licensed  
16 to issue group health insurance in all the States and the  
17 District of Columbia."

18 (b) Subsection (d) of such section is amended to read as  
19 follows:

20 "(d) Each contract under this chapter shall include a  
21 detailed statement specifying the benefits offered under such  
22 contract and the maximums, limitations, exclusions,  
23 definitions, deductibles, and coinsurance applicable to such  
24 benefits. Any such contract that is entered into for a term  
25 of more than one year shall include a detailed statement  
26 describing each change, if any, in such benefits, maximums,  
27 limitations, exclusions, definitions, deductibles, and  
28 coinsurance taking effect during the term of the contract and  
29 the effective date of such change."

30 (c) The second sentence of subsection (1) of such section  
31 is amended to read as follows: "For the purposes of this  
32 subsection, 'qualified health maintenance carrier' means any  
33 qualified carrier which--

079810.249

7

1       “(1) is a qualified health maintenance organization  
2       within the meaning of section 1310 (d) (1) of the Public  
3       Health Service Act (42 U.S.C. 300e-9 (d) (1)); or

4       “(2) satisfies the requirements of section 1301 (c)  
5       (1) (A) of such Act (42 U.S.C. 302e (c) (1) (A)), as  
6       determined by the Office of Personnel Management in  
7       consultation with the Secretary of Health and Human  
8       Services.”.

9       (d) Such section (as amended by section 123 (a)) is  
10      further amended by adding at the end thereof the following  
11      new subsections:

12      “(o) Except as otherwise provided in this chapter, each  
13      plan offered under a contract entered into under this section  
14      shall provide reasonable deductibles and coinsurance for all  
15      benefits under the plan. The plan may provide for reduction  
16      of deductibles and coinsurance pursuant to a program of  
17      innovative benefits offered under the plan, but may not  
18      provide for the elimination of deductibles and coinsurance  
19      pursuant to such program. Deductibles and coinsurance may be  
20      waived under a plan in the case of charges for health care  
21      furnished by a provider pursuant to an agreement to discount  
22      charges for subscribers of the plan if the charges do not  
23      exceed amounts approved for charges for such care for the  
24      purposes of title XVIII of the Social Security Act.

25      “(p) The Office may not contract with any qualified  
26      carrier under subsection (a) of this section for any plan  
27      described in subsection (a) (1), (a) (2), or (a) (3) of  
28      section 8903 of this title, or for any plan described in  
29      subsection (b) of such section, which provides more than two  
30      levels of benefits. This subsection does not prohibit any  
31      qualified carrier offering a plan which provides two levels  
32      of benefits under a contract with the Office from  
33      underwriting plans offered by other qualified carriers under  
34      contracts with the Office.

079810.249

8

1       “(c) Each contract for an annuitant's health benefit  
2 plan under section 8903 (b) of this title shall be for a term  
3 of three years.

4       “(r) The Office shall not require as a condition for  
5 entering into a contract with any qualified carrier under  
6 subsection (a) of this section that such carrier offer under  
7 such contract a health benefits plan which provides more than  
8 one level of benefits.”.

9           TYPES OF HEALTH BENEFITS; CATASTROPHIC BENEFITS

10       Sec. 202. (a) Section 8904 is amended--

11           (1) by striking out “may” in the first sentence and  
12 inserting in lieu thereof “shall”;

13           (2) by adding at the end of paragraph (1) the  
14 following new subparagraph:

15               “(G) Benefits for care for and treatment of  
16 mental disorders.”;

17           (3) by adding at the end of paragraph (2) the  
18 following new subparagraph:

19               “(G) Care for and treatment of mental  
20 disorders.”;

21           (4) in paragraph (3), by striking out “section” and  
22 inserting in lieu thereof “subsection”;

23           (5) in paragraph (4), by striking out “section” and  
24 inserting in lieu thereof “subsection”; and

25           (6) by striking out the last sentence and inserting  
26 in lieu thereof the following new subsection:

27       “(b) (1) In the case of a catastrophic illness or  
28 injury, the benefits required by subsection (a) of this  
29 section to be provided under a plan shall be provided under  
30 such plan without regard to the provisions of such plan  
31 relating to deductibles, coinsurance, maximums, and other  
32 limitations, if any. For the purposes of this subsection, an  
33 illness or injury is considered catastrophic during any  
34 contract year after the time when the total of the amounts

079810.249

9

1 paid by an employee or annuitant during such year by reason  
2 of the application of such provisions to the benefits  
3 provided under such plan with respect to such illness or  
4 injury and illnesses and injuries related to such illness or  
5 injury equals the lesser of (A) the amount specified in the  
6 plan for the purpose of this subsection or (B) the reference  
7 amount computed under paragraph (2) of this subsection.

8     “(2) (A) Except as provided in subparagraph (B) of this  
9 subsection for the purposes of paragraph (1) of this  
10 subsection, the reference amount is, subject to subparagraph  
11 (C) of this paragraph--

12         “(1) \$3,000 per person receiving benefits under a  
13 plan by reason of the illness or injury and illnesses and  
14 injuries related to such illness or injury; or

15         “(11) \$6,000,  
16 whichever is less.

17     “(B) For the purposes of paragraph (1) of this  
18 subsection, in the case of the annuitant benefits plan, the  
19 reference amount is--

20         “(1) \$1,500 per person receiving benefits under a  
21 plan by reason of the illness or injury or illnesses and  
22 injuries related to such illness or injury; or

23         “(11) \$2,500,  
24 whichever is less.

25     “(C) Effective January 1 of each year, the amounts  
26 specified in clauses (1) and (11) of subparagraph (A) of this  
27 paragraph (as previously deemed to be increased under this  
28 subparagraph) shall be deemed to be increased by the percent  
29 increase, if any, in the price index published for December  
30 of the second calendar year preceding such January 1 over the  
31 price index published for December of the third calendar year  
32 preceding such January 1. For the purpose of the preceding  
33 sentence, ‘price index’ shall have the same meaning as  
34 provided in section 8331 (15) of this title.”.

079812.249

12

1 (b) (1) The heading of such section is amended to read as  
2 follows:

3 ``\$ 8904. Benefits``.

4 (2) The item relating to section 8924 in the table of  
5 sections at the beginning of chapter 69 is amended to read as  
6 follows:

``8904. Benefits.``.

7 CONTRIBUTIONS

8 Sec. 203. (a) Subsection (a) of section 8906 is amended  
9 to read as follows:

10 `` (a) (1) For the purpose of computing the amount of the  
11 Government contribution for subscription charges payable for  
12 an employee or annuitant enrolled in a health benefits plan  
13 under this chapter during any contract year, the Office shall  
14 determine the weighted average of the subscription charges in  
15 effect on the beginning date of such contract year under  
16 health benefits plans (other than health benefits plans  
17 described in section 8923 (b) of this title) which are  
18 offered by carriers under contracts entered into under  
19 section 8902 (a) of this title for such contract year and  
20 were offered by such carriers for the preceding contract year  
21 under contracts entered into under such section.

22 `` (2) For the purposes of paragraph (1) of this  
23 subsection, the weighted average of the subscription charges  
24 in effect on the beginning date of a contract year under the  
25 health benefits plans referred to in such paragraph shall be  
26 determined by--

27 `` (A) multiplying, in the case of each such plan, for  
28 each type of enrollment authorized by section 8905 (a) of  
29 this title and each level of benefits provided under such  
30 plan, the biweekly subscription charge in effect on such  
31 beginning date by the number of employees and annuitants  
32 enrolled for the preceding contract year in such plan for  
33 such level of benefits under such type of enrollment; and





079610.249

12

1 (A) by striking out paragraph (2); and

2 (B) by redesignating paragraph (3) as paragraph (2).

3 COST CONTAINMENT PROGRAM

4 Sec. 204. (a) Chapter 89 is amended by adding at the end  
5 thereof the following new section:

6 "§ 8914. Cost containment program

7 "(a) Each carrier entering into a contract under section  
8 8922 of this title shall develop and carry out a cost  
9 containment program for each plan offered under such  
10 contract. The program shall include--

11 "(1) procedures which ensure that the carrier fully  
12 carries out its responsibilities under the plan without  
13 assuming the financial obligations of others in  
14 furnishing the benefits or without furnishing benefits to  
15 subscribers or members of family of a subscriber which  
16 are furnished by others under circumstances involving  
17 coordination of benefits, subrogation, no-fault motor  
18 vehicle accident insurance, compensation arrangements,  
19 and workers' compensation insurance;

20 "(2) procedures which ensure that benefits not  
21 authorized to be furnished under the plan are not  
22 furnished under the plan;

23 "(3) provisions to furnish benefits which are  
24 suitable alternatives to and less costly than in-patient  
25 medical and hospital care, including ambulatory surgery,  
26 home health care, hospice care, preadmission testing,  
27 second opinions on surgery, and care in skilled nursing  
28 facilities;

29 "(4) procedures to evaluate on a continuing basis  
30 the necessity, appropriateness, and efficiency in using  
31 medical services, medical procedures, and medical  
32 facilities, including, in the case of hospital care,  
33 evaluation of hospital admissions, services ordered and  
34 furnished, length of stay of patients, and current and

P79810.249

13

1 past discharge practices:

2 "(5) procedures and actions to detect possibly  
3 fraudulent claims submitted by providers of health care  
4 or subscribers;

5 "(6) the development and implementation of strategies  
6 to contain the costs of benefits furnished under the  
7 plan, including the development of data bases to provide  
8 the capability to analyze, on the basis of any  
9 subscriber's individual account under the plan, the costs  
10 and payments relating to such account and the utilization  
11 of medical services, medical procedures, and medical  
12 facilities by such subscriber;

13 "(7) the distribution of published materials and the  
14 conduct of other activities to inform patients,  
15 subscribers, employees, annuitants, members of families,  
16 and providers of health care about the appropriate uses  
17 of health care services and facilities, personal habits  
18 and practices which promote good health, and other health  
19 care matters; and

20 "(8) efforts to enter into agreements with providers  
21 of health care to discount charges for furnishing health  
22 care to subscribers under the plan.

23 "(b) Each contract with a carrier under section 8902 of  
24 this title shall include a provision requiring the carrier to  
25 pay annually into the Employee Health Benefits Fund referred  
26 to in section 8909 of this title an amount equal to two  
27 percent of the total amount of subscription charges payable  
28 to such carrier under such contract for the calendar year.  
29 All amounts paid into the Fund under this subsection shall be  
30 available for distribution pursuant to subsection (c) of this  
31 section.

32 "(c) (1) The Office shall audit the cost containment  
33 program of each carrier under subsection (a) of this section  
34 and shall rate each carrier on the effectiveness of each

079810.249

14

1 provision required by such subsection to be included in the  
2 program and on the overall effectiveness of the program. For  
3 the purpose of this paragraph, a provision of the program and  
4 the program overall shall be rated as excellent,  
5 satisfactory, or poor.

6     “(2) Under such regulations as the Office shall  
7 prescribe, a monetary award shall be paid at the end of each  
8 calendar year to each carrier carrying out a cost containment  
9 program which was rated as excellent or satisfactory overall  
10 for the year. The amount of the monetary award payable in any  
11 year to a carrier shall be a percentage of the amount paid by  
12 such carrier into the Employee Health Benefits Fund under  
13 subsection (D) of this section for such year. The monetary  
14 award paid in any year to each carrier rated at the same  
15 level for such year shall be computed at the same percentage.  
16 The percentage used to compute each monetary award paid in  
17 any year for an excellent rating shall be greater than the  
18 percentage used to compute each monetary award paid in such  
19 year for a satisfactory rating. A monetary award may not be  
20 paid in any year to a carrier carrying out a cost containment  
21 program which was rated as poor overall for the year.

22     “(3) The Office may not enter into a contract under  
23 section 8902 of this title with any carrier carrying out a  
24 cost containment program which is rated as poor overall for  
25 two consecutive calendar years unless three years have  
26 elapsed since the date on which the latest contract with such  
27 carrier under section 8902 of this title has expired. The  
28 carrier shall be entitled to a hearing on the record before  
29 the Office makes an initial determination not to enter into  
30 such a contract with the carrier by reason of the first  
31 sentence of this paragraph. The determination of the Office  
32 shall be subject to review by the Courts of Appeals of the  
33 United States under chapter 7 of this title.

34     “(d) At the end of each calendar year, the Office shall

079810.249

15

1 transmit to the Congress a report summarizing the results of  
2 the cost containment programs carried out under this section  
3 for the year. Each report shall set forth the ratings of each  
4 carrier under subsection (c) of this section for the year.''.  
5

6 (b) The table of sections at the beginning of chapter 89  
7 is amended by adding at the end thereof the following new  
8 item:

''6914. Cost containment program.''.  
9

OPEN SEASON

10 Sec. 205. (a) Chapter 89 is further amended by adding at  
11 the end thereof the following new section:

12 ''S 8915. Open enrollment

13 ''(a) Before any change in benefits or amounts payable by  
14 an employee or annuitant under a health benefits plan under  
15 this chapter takes effect, the Office shall organize and  
16 carry out a program under which each employee and each  
17 annuitant may elect to enroll, not to enroll, to continue  
18 enrollment, or to discontinue enrollment in a health benefits  
19 plan offered under this chapter or to transfer enrollment  
20 from one such health benefits plan to another such health  
21 benefits plan.

22 ''(b) Not later than fifteen days before the date on  
23 which any program of open enrollment under subsection (a) of  
24 this section begins, the Office shall distribute to each  
25 employee and each annuitant--

26 ''(1) a document or documents--

27 ''(A) summarizing the benefits provided under  
28 each health benefits plan offered under contracts  
29 entered into under section 8902 of this title for the  
30 ensuing contract term; and

31 ''(B) setting forth the amount of the  
32 subscription charge payable by each employee or  
33 annuitant enrolled under such plan during such term;

''(2) a document setting forth the benefits,

079812.249

16

1 including maximums, limitations, exclusions, definitions,  
2 deductibles, and coinsurance which will be provided  
3 during such term under the plan in which such employee or  
4 annuitant is enrolled, if any, on the date on which such  
5 program of open enrollment begins; and

6 "(3) an application for enrollment or change of  
7 enrollment in a health benefits plan."

8 (b) The table of sections at the beginning of such  
9 chapter is amended by adding at the end thereof the following  
10 new item:

"8915. Open enrollment."

11 EXPERIMENTAL PROGRAM

12 Sec. 206. (a) The Office of Personnel Management shall  
13 carry out an experimental program in at least three large  
14 areas of the United States where a substantial number of  
15 employees of the Government are located. Under such program,  
16 the Office shall negotiate agreements with providers of  
17 health care to discount the charges for health care furnished  
18 by the providers to employees of the Government.  
19 Notwithstanding section 8902 (c) of title 5, United States  
20 Code (as added by section 201 (d) of this Act), deductibles  
21 and coinsurance under any health benefits plan offered under  
22 chapter 89 of such title may be waived in the case of health  
23 care furnished by a provider under the program.

24 (b) The experimental program under subsection (a) shall  
25 commence not later than January 1, 1984, and shall terminate  
26 January 1, 1987.

27 (c) Not later than January 31, 1987, the Office of  
28 Personnel Management shall transmit to the Congress a report  
29 on the experimental program carried out under subsection (a).  
30 The report shall describe the administrative actions taken or  
31 proposed to be taken based on the information resulting from  
32 the program and shall include such recommendations for  
33 legislation as the Office considers appropriate based on such

073910.249

17

1 information.

2 TITLE III--MISCELLANEOUS PROVISIONS

3 TECHNICAL AND CONFORMING AMENDMENTS

4 Sec. 301. (a) Section 8901 (8) is amended by striking out  
5 ``8923 (3)'' and inserting in lieu thereof ``8923 (a) (3)''.  
6

7 (b) The second sentence of section 8902 (1) is amended by  
8 striking out ``health benefits plans described by section  
9 8903 (1) and (2)'' and inserting in lieu thereof ``health  
10 benefits plans described by subsection (a) (1) or (a) (2) of  
11 section 8903''.

12 (c) Section 8923 is amended--

13 (1) in paragraph (1)--

14 (A) by striking out ``, offering two levels of  
15 benefits,''; and

16 (B) by striking out ``8904 (1)'' and inserting in  
17 lieu thereof ``8904 (a) (1)'';

18 (2) in paragraph (2)--

19 (A) by striking out ``, offering two levels of  
20 benefits,''; and

21 (B) by striking out ``8904 (2)'' and inserting in  
22 lieu thereof ``8904 (a) (2)'';

23 (3) in paragraph (3) by striking out ``8904 (3)'' and  
24 inserting in lieu thereof ``8904 (a) (3)''; and

25 (4) in the first sentence of paragraph (4) (A) by  
26 striking out ``8904 (4)'' and inserting in lieu thereof  
27 ``8904 (a) (4)''.  
28

29 EFFECTIVE DATES

30 Sec. 302. (a) Except as provided in subsection (b) of  
31 this section, the amendments made by this Act shall take  
32 effect with respect to contracts entered into under section  
33 8902 (a) after the date of enactment of this Act.

34 (b) (1) The amendments made by section 201 (a) of this  
Act shall take effect January 1 of the first year that begins  
not less than three years after the date of enactment of this

079610.249

18

1 Act.

2 (2) The amendment made by section 205 of this Act shall  
3 take effect on the date of enactment of this Act.